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SUBJECT U.S. Military Aid to Egypt

JACK ANDERSON: In a moment, the makings of a multimillion-dollar scandal involving U.S. military aid to Egypt.

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ANDERSON: Egyptian President Anwar Sadat was gunned down at an opportune time, opportune for some of his closest associates were implicated in a scandal. The scandal reached into the highest ranks of Egypt's military and intelligence services. Millions of dollars allegedly were stolen from the U.S. military assistance program.

My associates Dale Van Atta and Endy Bagwar have been investigating this story for more than a year. Van Atta flew to Egypt, Israel, and Lebanon to track down the details. In Cairo, he spoke to an influential Egyptian businessman named Mousad Abu Elkir Badra.

DALE VAN ATTA: Have millions of dollars been stolen from the U.S. military assistance program to Egypt?

MOUSAD ABU ELKIR BADRA: For sure.

VAN ATTA: Who stole it?

BADRA: The Minister of Defense.

VAN ATTA: Named?

BADRA: General Kamal Hassan Ali.

VAN ATTA: And what he is now?

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BADRA: He's the Minister of Foreign Affairs.

ANDERSON: The scandal worked like this: A tight little group of insiders secretly set up a company which grabbed the contract for shipping all U.S. arms to Egypt. The group included the brother-in-law of Egyptian President Mubarak, who also directs Egyptian military procurement in Washington. A secret understanding was reached at the Camp David peace parley that the United States would finance the military buildup of Egypt. The cost has been staggering. In three years it has soared to \$3 1/2 billion.

Now let's turn to the secret shipping contract. I've had access to a copy. The shipper's cut -- I'm now quoting from the contract -- is up to 9.875 percent of the value of the materials shipped. Now, that would be a ton of money.

The Egyptian insiders set up a company that they called E.A.T.S. Co. That's short for Egyptian-American Transport and Services Corporation. I heard it was a corporate shell which used legitimate companies to do the actual shipping. Then E.A.T.S. Co. happily took the profits for itself.

Van Atta tried to talk with E.A.T.S. Co. officials. He found the E.A.T.S. Co. building in the wealthy Cairo suburb of Heliopolis.

VAN ATTA: Is Mr Klines here at all?

MAN: No.

VAN ATTA: Nor Mr. Salin? Who's in charge when they're gone?

MAN: Ahhh, the manager. And he's on vacation.

VAN ATTA: General Mahmed, or...

MAN: Yeah.

VAN ATTA: And he's gone, too?

MAN: Yeah. He's gone on vacation.

VAN ATTA: Who's in charge after him?

MAN: We have Mr. Bak. He's in charge now.

VAN ATTA: Can I talk to him?

MAN: Yeah. Sure.

MAN: Now he's very busy. I mean he really...

VAN ATTA: What was his name?

MAN: Bak.

VAN ATTA: How long has the company been here, a couple years?

MAN: I can't tell you anything, really. I'm sorry.

ANDERSON: As you can see, no one seemed to be in charge of E.A.T.S. Co. There was no visible signs of activity. Strange for a company with billings in the hundreds of millions of dollars.

Bill Fiorito is an American businessman with close ties to U.S. intelligence. After the Camp David agreement, he headed a consortium of American and Egyptian businessmen who sought shipping business from the new Egyptian-American military program.

BILL FIORITO: There's a little thing called MAPOD (?) list. I mean it's a acronym for some long thing that no one understands. But in order to ship American goods to a host country under the aid program, you have to be put on that list by the host country. And it has to go through our control system here in the Pentagon, and all that. So in order to set this whole thing in motion, we were assured, through the Egyptian people, that General Kamal Hassan Ali, at the time who was Minister of Defense, that we were going on the list. This kept being promised and promised. It never happened.

ANDERSON: These official Egyptian documents are secret. Let me read from one of them: "The Ministry of Defense has appointed Tursam (?) Company as its exclusive transport, shipping and insurance agent, and all related matters for all its military imports from the United States of America." Tursam owns the controlling stock of E.A.T.S. Co., whose president was an American. His name is Tom Clines. He's a shadowy figure who used to direct the training for the CIA's dirty tricks division.

In 1979, he and his associates meet with Fiorito at the fashionable Madison Hotel in Washington.

FIORITO: This meeting evidently was arranged as a result of the pressures, you know, that we were putting on in the Pentagon, in the Congress, and through our general supply system. And the people in Cairo arranged a meeting for me to meet with the then-Defense Minister, Kamal Hassan Ali, in Washington, D.C.

Boom, the security is fantastic. You know, it took a Sherman tank to go through the place. I mean we went through like -- I walk into a suite and there are a number of people there. General Abou Ghazala was there, who was in charge of the military attache office here in Washington. Hussan Salin. And a fellow laying on the bed.

So the first thing that Salin does is he jumps up and he -- you know, he hands me a card. Here, look. The Egyptian-American Shipping Company. And here he is, he's the chairman of the board. So they formed an American company. And in the next breath he said, "Meet Tom Klines over there."

I say, "Who's Tom Klines?"

So Tom Klines gets up off the bed. We shake hands. He's the president of the company.

And I find out now, at a later date, who's Tom Klines, an experienced shipping guy? No. He is the top CIA training agent, I guess, in the world.

REPORTER: What was the real purpose of that meeting at the Madison between you and the Egyptian Foreign Minister, Kamal Hassan Ali? Was he trying to buy you off? Was he trying to buy your silence?

FIORITO: Absolutely. The basic thing was, "Well, okay. We'll split this 50 percent American flag," and ba-ba-ba-ba.

So, with that, I'm ushered down the hall, and General Kamal Hassan Ali is there. And he says, you know, "Are you satisfied now?"

And if I recall correctly, I said, "When I see the contract I'll be satisfied." And, you know, those were true words. The contract never came down.

This is where this so-called scam comes in. They took all the machinery of the two governments, put them together for their own use.

ANDERSON: The scandal is under investigation by the U.S. attorney's office in Virginia. Both presents and former CIA and Pentagon officials are involved.

I've learned that Tom Klines, who was recently removed as president at E.A.T.S. Co., is under grand jury scrutiny. My associate Dale Van Atta located Klines' home in Middleburg in the heart of Virginia's posh horse country, but he was told Klines was not there.

And at E.A.T.S. Co. headquarters, located in Virginia, they tried to meet an official, any official, of the company. But again they were told that no one was available.

The grand jury is also investigating Eric von Marbold. He formerly headed the military assistance program at the Pentagon. He was assigned by ex-Defense Secretary Harold Brown to oversee the Egyptian shipping contract. Also a Major General Richard Sekord, who is now a Deputy Assistant Secretary of Defense.